

Senate Bill No. 568

CHAPTER 602

An act to amend Section 97.73 of the Revenue and Taxation Code, relating to local government finance.

[Approved by Governor October 6, 2005. Filed with
Secretary of State October 6, 2005.]

LEGISLATIVE COUNSEL'S DIGEST

SB 568, Kehoe. Property tax revenue allocations.

Existing property tax law requires the county auditor, in each fiscal year, to allocate property tax revenue to local jurisdictions in accordance with specified formulas and procedures, and generally requires that each jurisdiction be allocated an amount equal to the total of the amount of revenue allocated to that jurisdiction in the prior fiscal year, subject to certain modifications, and that jurisdiction's portion of the annual tax increment, as defined. Existing law requires the auditor to reduce, for the 2004-05 and 2005-06 fiscal years, the total amount of property tax revenue that is otherwise required to be allocated to an enterprise and a nonenterprise special district, as defined, by an amount calculated by the Controller pursuant to a specified formula. Existing law requires that the total statewide amount of these reductions for each of those fiscal years equal \$350 million.

The California Constitution prohibits the Legislature from enacting a statute that changes the manner in which property tax revenues are allocated so as to reduce the percentage of property tax revenues that are allocated in a county among all local agencies, as defined, below the percentage of those revenues that were so allocated under the law in effect on November 3, 2004, as specified.

This bill would specify that, for the 2005-06 fiscal year, a nonenterprise special district does not include a local health care district, as specified. This bill would also require the Controller to implement this exemption in a manner that ensures that this bill does not result in a net increase in the total amount of the reduction for any special district for the 2005-06 fiscal year from the total amount of the reduction determined for that special district for the 2004-05 fiscal year.

The people of the State of California do enact as follows:

SECTION 1. Section 97.73 of the Revenue and Taxation Code is amended to read:

97.73. Notwithstanding any other provision of law, for each of the 2004-05 and 2005-06 fiscal years, all of the following apply:

(a) (1) (A) The total amount of ad valorem property tax revenue, other than those revenues that are pledged to debt service, otherwise allocated for each of those fiscal years to each nonenterprise special district shall be reduced by 10 percent of the amount of ad valorem property tax revenue of the district for the 2001-02 fiscal year, as reported in the 2001-02 edition of the State Controller's Special Districts Annual Report.

(B) (i) Notwithstanding subparagraph (A), for the Laguna Niguel Community Service District in the County of Orange, the reduction described in subparagraph (A) shall be 4 percent rather than 10 percent.

(ii) If the district described in clause (i) is not dissolved before July 1, 2006, for each of the 2006-07 and 2007-08 fiscal years, the auditor shall reduce the total amount of ad valorem property tax revenue, other than those revenues that are pledged to debt service, otherwise allocated to that district for each of those fiscal years by 6 percent of the amount of ad valorem property tax revenue of the district for the 2001-02 fiscal year, as reported in the 2001-02 edition of the State Controller's Special Districts Annual Report.

(C) If a nonenterprise special district is located in more than one county, the auditor of each county in which that nonenterprise special district is located shall implement that portion of the total reduction, required by subparagraph (A) with respect to that district, determined by the ratio of the amount of ad valorem property tax revenue allocated to that district from the county to the total amount of ad valorem property tax revenue allocated to that district from all counties.

(2) The Controller shall determine the amount of the ad valorem property tax revenue reduction required by paragraph (1) for each nonenterprise special district in each county and notify the Director of Finance of these amounts on or before October 25, 2004.

(b) That amount of ad valorem property tax revenue that is not allocated to a nonenterprise special district as a result of subdivision (a) shall instead be deposited in the county Educational Revenue Augmentation Fund and shall be allocated as specified in subdivision (d) of Section 97.3.

(c) For purposes of this section, all of the following apply:

(1) (A) "Nonenterprise special district" means a special district that engages solely, as reported in the 2001-02 edition of the State Controller's Special Districts Annual Report, in nonenterprise functions, and a qualified special district as defined in Section 97.34.

(B) Notwithstanding any other provision of law, "nonenterprise special district" does not include any of the following:

(i) A fire protection district that was formed under the Shade Tree Law of 1909 set forth in Article 2 (commencing with Section 25620) of Chapter 7 of Division 2 of Title 3 of the Government Code.

(ii) A police protection district formed pursuant to Part 1 (commencing with Section 20000) of Division 14 of the Health and Safety Code.

(iii) A fire protection district formed under the Fire Protection District Law of 1987 (Part 2.7 (commencing with Section 13800) of Division 12 of

the Health and Safety Code) or a fire protection district formed under the Fire Protection District Law of 1961, or any of its statutory predecessors, and that existed on January 1, 1988.

(iv) Any library special district, including, but not limited to, the following:

(I) A county free library system established pursuant to Article 1 (commencing with Section 19100) of Chapter 6 of Part 11 of Division 1 of Title 1 of the Education Code.

(II) A unified school district and union school district public library district established pursuant to Chapter 3 (commencing with Section 18300) of Part 11 of Division 1 of Title 1 of the Education Code.

(III) A library district established pursuant to Chapter 8 (commencing with Section 19400) of Part 11 of Division 1 of Title 1 of the Education Code.

(IV) A library district in unincorporated towns and villages established pursuant to Chapter 9 (commencing with Section 19600) of Part 11 of Division 1 of Title 1 of the Education Code.

(v) A memorial district formed pursuant to Article 1 (commencing with Section 1170) of Chapter 1 of Part 2 of Division 6 of the Military and Veterans Code.

(vi) A mosquito abatement district or a vector control district formed pursuant to Chapter 1 (commencing with Section 2000) of Division 3 of the Health and Safety Code, or any predecessor to that law.

(vii) The Glenn County Pest Abatement District and the East Side Mosquito Abatement District formed pursuant to Chapter 8 (commencing with Section 2800) of Division 3 of the Health and Safety Code.

(viii) (I) For the 2005-06 fiscal year, a local health care district as described in Division 23 (commencing with Section 32000) of the Health and Safety Code.

(II) Notwithstanding any other provision of law, in making the determinations required by paragraph (2) of subdivision (a) of Section 97.72, the Controller shall ensure that the operation of this clause does not result in a net increase in the total amount of the reduction for any special district required by this section or Section 97.72 for the 2005-06 fiscal year from the total amount of the reduction determined under those provisions for that special district for the 2004-05 fiscal year.

(2) With respect to a nonenterprise special district that performs, as reported in the 2001-02 edition of the State Controller's Special Districts Annual Report, nonenterprise functions and police protection services with certified peace officers, as described in Chapter 4.5 (commencing with Section 830) of Title 3 of Part 2 of the Penal Code, or nonenterprise functions and fire protection services, "the amount of ad valorem property tax revenue of the district for the 2001-02 fiscal year" does not include ad valorem property tax revenue of that district for fire protection or police protection nonenterprise functions, as reported in the 2001-02 edition of the State Controller's Special Districts Annual Report.

(3) With respect to a nonenterprise special district formed pursuant to Article 3 (commencing with Section 5500) of Chapter 3 of Division 5 of the Public Resources Code that performs, as reported in the 2001-02 edition of the State Controller's Special Districts Annual Report, nonenterprise functions and police protection services with certified peace officers, as described in Chapter 4.5 (commencing with Section 830) of Title 3 of Part 2 of the Penal Code, or nonenterprise functions and fire protection services, "the amount of ad valorem property tax revenue of the district for the 2001-02 fiscal year" does not include total expenditures net of total revenues by that district for fire protection or police protection nonenterprise functions, as reported in the 2001-02 edition of the State Controller's Special Districts Annual Report.

(4) For purposes of this section, "revenues that are pledged to debt service" includes only those amounts required as the sole source of repayment to pay debt service costs in the 2002-03 fiscal year on debt instruments issued by a nonenterprise special district for the acquisition of fixed assets. For purposes of this paragraph, "fixed assets" means land, buildings, equipment, and improvements, including improvements to buildings.

(d) For the purposes of this section, if a special district's financial transactions do not appear in the 2001-02 edition of the State Controller's Special Districts Annual Report, the Controller shall use the most recent data available for that district.

(e) For the 2005-06 fiscal year and each fiscal year thereafter, the amounts determined under subdivision (a) of Section 96.1, or any successor to that provision, shall not reflect, for a preceding fiscal year, any portion of any allocation required by this section.